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ECONOMIC CONDITIONS IN MONTANA
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ECONOMIC CONDITIONS IN MONTANA

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SECTION I

MONTANA'S ECONOMY: A GENERAL OVERVIEW

ECONOMIC CONDITIONS IN MONTANA

Historically, Montana has had a resource-based economy. Agriculture, mining, and wood products have provided the impetus for long-term development. These industries, along with energy development, will largely determine the economic future of Montana. Montana's isolation from major markets makes it difficult to sustain many industries that are not resource related. Thus, Montana's "comparative advantage" lies in its resource-based sectors, and its overall future development will be closely related to market forces affecting these sectors.

EMPLOYMENT

The most regularly gathered and reliable data concerning our economy are employment statistics. Changes in employment levels and the relative importance of industries in employment terms are good indicators of the direction of Montana's economy. Employment levels, while important, do not provide a complete picture. Total earnings or earnings per worker are also useful indicators of an industry's relative strength in the economy.

Total employment grew much faster in the 1970s than it did during the previous decade. Total employment in the 1960s increased by some 19,000 jobs, or about 8 percent for the decade. Employment gains in the 1970s have amounted to approximately 91,000 jobs, or a 35 percent increase. This gain significantly outpaced the national average over the same period of time.

The growth in employment has not been evenly dispersed throughout all economic sectors. Large increases occurred in the trade and service related industries and in state and local governments, the so-called nonbasic or derivative sectors. Total basic employment -- i.e., the export sector of an economy -- has remained relative constant over the same time period, however. There have been substantial job losses in some basic sectors, especially in agriculture, metal mining, and primary metal processing, while employment has expanded in coal, oil and gas exploration, and wood products (although the wood products industry has suffered a loss in jobs since 1979). Table 3 shows the composition of basic and nonbasic employment in Montana since 1960.

The uneven growth since 1960 in the basic and nonbasic sectors may be puzzling to those who believe service and trade jobs can come only as a result of basic industrial development. It is important to remember that the turn of the century saw the majority of the national labor force employe in some form of primary production -- i.e., food, lumber, metals, etc. These industries have experienced rapid productivity gains, requiring relatively fewer production workers for an increasing amount of physical or real dollar output. Also, overall income has increased, both in Montana and nationally, thereby bidding up the demand for nonbasic activity.

It must be noted, however, that overall productivity (as measured by output per worker or per unit of labor and capital) has risen at a slower rate recently not only in the United State, but in other major western industrial nations as well. The following reasons have been suggested for this disturbing trend:

- lack of capital formation due to disincentives to save and invest;
- increasing uncertainty about future prices and costs due to an "inflation psychology";
- a shift from industrial society's "hard technology" to a service oriented society's "soft technology"; and,
- aging capital stock and less intensive use of plant and equipment.

Table 3: Employment in Selected Montana Industries, 1960-1983 (thousands).

Industry	1960	1965	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983*
BASIC																
Agriculture	39.0	35.2	36.1	35.0	33.1	36.3	38.8	34.8	33.4	34.5	33.0	32.2	31.4	30.6	29.9	29.2
Mining	7.4	7.5	6.6	5.4	6.3	6.5	7.1	6.4	6.1	6.1	7.0	7.7	8.8	11.5	9.3	7.0
Metal	4.5	4.6	4.0	2.9	3.7	3.8	4.0	3.1	2.4	2.1	2.0	2.1	1.9	2.3	1.7	1.2
Coal	NA	NA	NA	0.2	0.3	0.3	0.4	0.7	0.8	1.0	1.2	1.3	1.4	1.4	1.3	1.3
Oil & Gas	2.2	1.8	1.8	1.6	1.6	1.6	1.8	1.8	2.1	2.4	2.9	3.4	4.7	6.9	5.5	3.7
Other Mining	0.7	1.1	0.8	0.7	0.7	0.8	0.9	0.8	0.8	0.6	0.9	0.9	0.8	0.9	0.9	0.8
Manufacturing	20.4	22.2	23.9	24.0	24.5	24.8	24.5	22.1	23.7	25.1	26.3	27.0	24.2	23.2	20.6	20.8
Wood Products	7.3	8.6	8.2	8.7	9.2	9.8	9.5	8.1	9.1	9.8	10.7	11.1	9.2	8.8	7.2	7.9
Primary Metals	3.8	3.6	4.7	4.1	3.9	3.4	3.4	3.3	3.3	3.3	3.2	3.3	2.6	2.0	1.4	1.2
Food Products	4.3	4.3	4.3	4.2	4.2	4.3	4.1	3.5	3.7	4.1	4.0	4.1	4.0	3.8	3.7	3.8
Other Manufacturing	5.0	5.7	6.7	7.0	7.2	7.3	7.5	7.2	7.6	7.9	8.4	8.5	8.4	8.6	8.3	7.9
Railroad	9.0	7.5	6.6	6.4	6.4	6.3	6.5	6.1	6.1	6.3	6.8	7.4	6.5	6.0	5.2	4.1
Federal Government (excluding Military)	9.9	12.1	11.9	11.9	12.3	12.2	12.9	14.2	13.7	13.6	13.6	13.9	13.8	13.6	13.1	12.5
Total Basic	85.7	84.5	85.1	82.7	82.6	86.1	89.8	83.6	83.0	85.6	86.7	88.2	84.7	84.9	78.1	73.6

Table 3: Employment in Selected Montana Industries, (thousands).
(Continued)

Industry	1960	1965	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983*
NON BASIC																
Transportation, Communications & Utilities, excluding Railroad	10.0	10.0	10.8	11.3	11.5	12.4	13.0	12.9	13.4	14.0	14.9	15.7	15.9	16.6	16.8	15.9
Construction	11.0	12.0	11.0	11.7	11.4	13.0	13.5	12.1	13.8	15.7	16.7	15.6	14.5	13.3	13.4	13.0
Trade	40.5	42.9	48.3	50.1	53.5	56.3	58.8	59.1	63.7	67.0	72.2	73.5	72.3	72.9	71.9	70.5
Services**	30.0	33.3	41.8	43.8	46.3	49.8	52.4	54.5	58.6	60.6	64.8	66.9	68.0	69.0	69.1	70.1
State & Local Government	28.6	33.8	40.7	42.5	43.1	43.2	45.3	50.7	52.0	56.4	58.1	56.2	56.4	55.7	54.3	56.0
Non-Farm Proprietors & Other	30.2	30.0	23.7	22.9	28.9	27.8	29.1	29.1	27.5	23.7	32.6	36.0	35.2	44.6	54.4	54.9
Total Nonbasic	150.3	162.0	176.3	182.3	194.7	202.5	212.1	218.4	229.0	237.4	259.3	263.9	262.3	272.1	279.9	280.4
TOTAL	236.0	246.5	261.4	265.0	277.3	288.6	301.9	302.0	312.0	323.0	346.0	352.0	347.0	357.0	358.0	354.0

* Estimate
**Includes Employment in Finance, Insurance, and Real Estate.

Source: Montana Department of Labor and Industry

UNEMPLOYMENT

The unemployment rate is probably the most often quoted statistic in economic discussions and perhaps the least understood. Its calculation depends on two factors: the level of employment and the total size of the labor force. The level of employment can be accurately determined, the size of the labor force cannot. At a minimum, it is necessary to make certain assumptions about the number of individuals in the workforce.

Unemployment rates in Montana and the United States have been higher in the 1970s than in earlier periods. National unemployment averaged 6.2 percent of the labor force for the 1970s. But, since 1975, unemloyment has averaged 7.6 percent of the labor force. The average unemployment rate in Montana during the 1970s was 5.4 percent, or about 10 percent lower than the national figure. This situation is largely due to our relative less industrialized economy and lack of structural unemployment resulting in more stable year-to-year employment patterns. Table 4 presents a comparison of state and national rates.

The loss of jobs in mining, smelting, wood products, federal and state employment (due to federal budget reductions), and railroads along with the continued increase in the civilian labor force account for much of the estimated increase in Motnana's unemployment rate through 1982.

The most important variables in explaining the generally increasing unemployment rates in the 1970s are the size of the labor force and labor force participation rates. The post-war baby boom has resulted in more people than ever entering the labor force. In addition, the increased labor force participation rates of young people, and of women across all ages has expanded labor force. The basic sectors, expecially those industries where productivity

Table 4: Unemployment Rates for Total Civilian Labor Force, 1970-1983.

	Annual Average Unemployment Rates	
Year	Montana	United States
1970	4.3	5.0
1971	4.8	6.0
1972	4.8	5.6
1973	4.8	4.9
1974	5.2	5.6
1975	6.4	8.5
1976	6.1	7.7
1977	6.4	7.0
1978	6.0	6.1
1979	5.1	5.8
1980	6.1	7.1
1981	6.9	7.6
1982	8.6	9.7
1983*	8.6	9.6

Source: Montana Department of Labor and Industry

* Estimate

has improved, have not been able to provide employment for their workers. As a consequence of increasing income and a rapidly expanding supply of workers, the service and trade sectors have absorbed most, but not all, of the new entrants into the labor force. Therefore, total employment growth has been somewhat less than the increase in the number of individuals seeking jobs, resulting in a long-term increase in the overall unemployment rate. But, as the impact of the baby boom fades, unemployment rates should improve.

Except for periods of economic downturn, the general rise in unemployment since 1970 cannot be totally explained by worsening business conditions. In fact, total employment in the United States increased at a faster rate during the 1970s than during the previous decade. The Montana economy performed even better in terms of providing jobs for its citizens. Jobs increased at an annual average rate of 3.4 percent during the 1970s, compared with only 0.8 percent per year during the period 1955-1969. In view of the relatively rapid increase in new jobs, rising employment poses some legitimate questions about the usefulness of the unemployment rate as a indicator of "economic well-being" over time. Consider the following changes which have affected the unemployment rate.

* The percent of the noninstitutional U.S. population seeking work has increased from around 60 percent in 1960 to over 64 percent in 1980. This means an additional 7.3 million people are looking for work. This increase stems from more individuals of working age as well as more people who want to work today than has historically been the case.
* The civilian labor force has experienced more than proportional increase of women and youth. In 1960, women comprised 33 percent of the employed civilians; in 1979, the figure was 42 percent. In 1960, youth aged 16-19 years comprised 6.3 percent of the employed; in 1979, this group had jumped to 8.3 percent of the total.

Another perspective on employment data can be gained by looking at the employment ratio; that is, the percent of employed people. This number has been increasing both nationally and in Montana because of the increase in working age people and more people wanting to work, and the increase in jobs. In 1960, 35.0 percent of Montanans were employed. In 1980, that figure had increased to 44.7 percent.

INCOME

Income data serve as another useful indicator of economic well-being. Montana per capita income has grown at approximately the national rate; sometimes faster, sometimes slower. However, since 1960, Montana per capita income has been roughly 12 percent lower than the national level. This consistent difference is illustrated in Table 5.

Although variations in regional per capita income have lessened over time, Montana has shown little sign of converging with the national average. For the most part, the periodic ups and downs in Montana per capita income have been related to variations in farm income. The comparatively small variations in the national trend have been the result of business cycles, but agricultural states such as Montana are relatively insensitive to national cycles. Some effects are felt (e.g., in the wood products and metal mining sectors), but not to the degree experienced by the most industrialized states.

Much of the absolute increase in income, both here and nationally, has been the result of inflation. For example, Montana's per capita income increased 230 percent between 1960 and 1978, while the real growth in purchasing power grew by a more modest amount, 49 percent.

Table 5: Per Capita Income in Montana and the United States, 1960-1982, (current dollars).

Year	United States	Montana	% Difference
1960	$2,201	$1,983	9.9
1961	2,248	1,934	14.0
1962	2,353	2,246	4.5
1963	2,436	2,216	9.0
1964	2,572	2,239	12.9
1965	2,750	2,414	12.2
1966	2,963	2,602	12.2
1967	3,142	2,709	13.8
1968	3,401	2,860	15.9
1969	3,714	3,144	15.3
1970	3,945	3,428	13.1
1971	4,167	3,537	15.1
1972	4,515	4,092	9.4
1973	5,010	4,762	5.0
1974	5,448	5,083	6.6
1975	5,842	5,419	7.2
1976	6,367	5,763	9.5
1977	6,984	6,161	11.8
1978	7,776	7,076	9.0
1979	8,657	7,633	11.8
1980	9,503	8,361	12.0
1981	10,582	9,252	12.6
1982	11,107	9,580	13.7

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Aside from a few erratic changes resulting from exceptionally good or poor agricultural years, the composition of Montana income has followed the national trend, with total nonbasic income growing more than basic. This is not surprising because nearly all of the employment growth has occurred in the nonbasic sectors.

From 1973 to 1978, approximately 70 percent of the national income growth was found in the nonbasic category. In Montana, the figure was somewhat higher, reflecting proportionately faster nonbasic employment growth. Although farm income has declined by about one-half, the other basic income producing sectors, such as mining and manufacturing, have experienced increases comparable to the national growth pattern. Montana's overall basic income growth in 1981 and 1982, however, will feel the strain of losses in wood products and smelting.

Table 6 illustrates the principal sources of income in Montana and the nation. Agricultural enterprises are clearly more important to the Montana economy than in most states. In fact, only North and South Dakota derive a higher percentage of their income from this source.

Manufacturing in Montana generates a much smaller proportion of overall income than the national average, while mining contributes a much greater percentage Certain nonbasic sectors (trade, services, construction, transportation, and government) account for approximately 70 percent of total income both in Montana and nationwide.*

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*Stricly speaking, it may be appropriate to adjust out rail, heavy construction, federal government, and tourism-related income from the general "nonbasic" sectors noted above. If this were done, Montana's nonbasic percentage would be less than the 70 percent mentioned above.

Table 6: Income by Industry, Montana and the United States, 1974-1980.

Sector	Percent of Total (1974-1979) Montana	Percent of Total (1974-1979) United States	Average Earning Per Employee, 1980 Montana	Average Earning Per Employee, 1980 United States
Farm	8.4	3.1	$ 5,410*	$ 9,659
Mining	4.0	1.5	22,183	23,099
Construction	8.0	6.0	18,392	17,244
Manufacturing	10.6	26.0	16,983	17,443
Transportation/ Utilities	10.3	7.5	19,137	19,890
Trade	18.3	16.7	9,984	11,155
Finance	4.3	5.6	12,259	15,168
Services	14.8	16.6	8,988	12,238
Government	21.5	17.1	12,118	15,558

*Includes proprietors labor and farm service workers. Generally, farm earnings in Montana are well above the national figure, however, 1980 was a poor year for agriculture in Montana.

Source: United States Department of Commerce, Bureau of Economic Analysis

POPULATION

Montana's population, like employment, has shown different behavior in the 1970s than in the previous decade, when economic growth was slow and many residents left the state to find work. Since 1970, the population flow has changed direction, and approximately 33,000 individuals have migrated to Montana from other parts of the country.

Although Montana's rate of popualtion growth has been 15 percent faster than the national norm, it has been 36 percent slower than the Rocky Mountain region as whole.

Table 7 presents county and state-wide population changes since 1960. Forty counties lost population in the ten years from 1960 to 1970. Only twenty-two counties showed a decline in the last ten years. In most cases, the population decline was slower during the 1970s than during the 1960s. But out-migration remains a problem for many areas, both rural and urban. Unfortunately, out-migrati usually consists of the young and talented.

Most of the state's population growth has occurred in few areas. Flathead, Gallatin, Lewis and Clark, Missoula, and Yellowstone Counties account for nearly two-thirds of the total state gain. Other gains have been made in counties adjacent to urban areas, such as Ravalli and Jefferson, and in counties experiencin coal development and oil and gas exploration.

The unstabilzing effects of major changes in fertility rates (e.g., the baby boom and the "baby bust" of the 1970s) and volatile migration patterns have affected and will continue to affect Montana's population. Some cohorts, or age groups, have expanded dramatically but later will shrink abruptly as these waves occur. Other cohorts will shrink and then expand much faster than the overall population level, all as a result of changes which took place years ago but are only now being felt. Tables 8 and 9 illustrate the demographic changes which have occurred in the past twenty years. A few examples of issues

Table 7: Population by County, 1960, 1970, and 1980.

County	1960	1970	Percent Change 1960-70	1980	Percent Change 1970-80
Beaverhead	7,194	8,187	13.8	8,186	--
Big Horn	10,007	10,057	0.5	11,096	10.3
Blaine	8,091	6,727	-16.9	6,999	4.0
Broadwater	2,804	2,526	-9.9	3,267	29.3
Carbon	8,317	7,080	-14.9	8,099	14.4
Carter	2,493	1,956	-21.5	1,799	-8.0
Cascade	73,418	81,804	11.4	80,696	-1.4
Choteau	7,348	6,473	-11.9	6,092	-5.9
Custer	13,227	12,174	-8.0	13,109	7.7
Daniels	3,755	3,083	-17.9	2,835	-8.0
Dawson	12,314	11,269	-8.5	11,805	4.8
Deer Lodge	18,640	15,652	-16.0	12,518	-20.0
Fallon	3,997	4,050	1.3	3,763	-7.1
Fergus	14,018	12,611	-10.0	13,076	3.7
Flathead	32,965	39,460	19.7	51,966	31.7
Gallatin	26,045	32,505	24.8	42,865	31.9
Garfield	1,981	1,796	-9.3	1,656	-7.8
Glacier	11,565	10,783	-6.8	10,628	-1.4
Golden Valley	1,203	931	-22.6	1,026	10.2
Granite	3,014	2,737	-9.2	2,700	-1.4
Hill	18,653	17,358	-6.9	17,985	3.6
Jefferson	4,297	5,238	21.9	7,029	34.2
Judith Basin	3,085	2,667	-13.5	2,646	-0.8
Lake	13,104	14,445	10.2	19,056	31.9
Lewis & Clark	28,006	33,281	18.8	43,039	29.3
Liberty	2,624	2,359	-10.1	2,329	-1.3
Lincoln	12,537	18,063	44.1	17,752	-1.7
McCone	3,321	2,875	-13.4	2,702	-6.0
Madison	5,211	5,014	-3.8	5,448	8.7
Meagher	2,616	2,122	-18.9	2,154	1.5
Mineral	3,037	2,958	-2.6	3,675	24.2
Missoula	44,663	58,263	30.5	76,016	30.5
Musselshell	4,888	3,734	-23.6	4,428	18.6
Park	13,168	11,197	-15.0	12,869	14.9
Petroleum	894	675	-24.5	655	-3.0
Phillips	6,027	5,386	-10.6	5,367	-0.4
Pondera	7,653	6,611	13.6	6,731	1.8
Powder River	2,485	2,862	15.2	2,520	-11.9
Powell	7,002	6,660	-4.9	6,958	4.5

Table 7: Population by County, 1960, 1970, and 1980 (continued).

County	1960	1970	Percent Change 1960-70	1980	Percent Change 1970-80
Prairie	2,318	1,752	-24.9	1,836	4.8
Ravalli	12,341	14,409	16.8	22,493	56.1
Richland	10,504	9,837	-6.3	12,243	24.5
Roosevelt	11,731	10,365	-11.6	10,467	1.0
Rosebud	6,187	6,032	-2.5	9,899	64.1
Sanders	6,880	7,093	3.1	8,675	22.3
Sheridan	6,458	5,779	-10.5	5,414	-6.3
Silver Bow	46,454	41,981	-9.6	38,092	-9.3
Stillwater	5,526	4,632	-16.2	5,598	20.9
Sweetgrass	3,290	2,980	-9.4	3,216	7.9
Teton	7,295	6,116	-16.2	6,491	6.1
Toole	7,904	5,839	-26.1	5,549	-4.8
Treasure	1,345	1,069	-20.5	981	-8.2
Valley	17,080	11,471	-32.8	10,250	-10.6
Wheatland	3,026	2,529	-16.4	2,359	-6.7
Wibaux	1,698	1,465	-13.7	1,476	0.8
Yellowstone	79,016	87,367	10.6	108,035	23.7
Yellowstone Park	47	64	36.2	66	3.1
State	674,767	694,409	2.9	786,690	13.3

Source: United States Bureau of Census

Table 8: Montana Population by Age Cohort, 1960, 1970, and 1980.

	1960	1970	Percent Change 1960-70	1980	Percent Change 1970-80
School Cohort (6-13 years of age)	116,921	122,444	4.7	98,002	-20.0
High School (14-17 years of age)	45,189	60,638	34.2	57,477	-5.2
College Cohort (18-21 years of age)	33,480	47,382	41.5	59,878	26.4
High Crime Risk (18-34 years of age)	137,288	156,552	14.0	236,902	51.3
Labor Force (16-64 years of age)	370,573	402,314	8.6	500,714	24.5
Retirement (over 65 years of age)	65,420	68,736	5.1	84,559	23.0

Source: U.S. Department of Commerce, Bureau of the Census

Table 9: Montana Population by Age and Sex, 1960, 1970, and 1980.

	1960		1970		1980	
Age	Male	Female	Male	Female	Male	Female
Under 5	42,184	40,918	29,120	27,934	33,092	31,365
5-17	89,747	87,559	99,726	96,345	85,975	81,465
18-24	28,254	28,875	38,002	38,671	52,544	51,431
25-34	40,669	39,942	39,797	40,082	67,580	63,345
35-64	109,243	101,956	108,565	107,431	116,383	116,951
65& Over	33,646	31,774	31,795	36,941	37,051	47,508
Total	343,743	331,024	347,005	347,404	392,625	394,065
Median Age	28.0	27.1	26.6	27.6	28.4	29.6

Source: U.S. Department of Commerce, Bureau of the Census caused by the changing demographic patterns are as follows.

- Declining elementary and high school enrollment. The number of elementary age children has fallen substantially more (both absolutely and as a percentage) than high school age individuals, though the number of elementary age children is expected to rise by 1985. High school age individuals will decline until 1985 and increase again by 1990.
- Rising unemployment as a result of rapid increases in the number of new entrants into labor force.
- A dramatic increase in the demand for new homes and a host of other consumer products targeted at specific age groups. The post-war babies are now young adults with their own families.
- Rising crime rates related to a short-term swell in the number of young individuals who are more prone to commit crime.
- Increased demand for housing, health-related, and other programs aimed at the needs of the elderly and those on fixed incomes.

Future impact will include:

- Slower economic expansion but lower unemployment resulting from slower labor force growth.
- Mounting costs of retirement and health care programs as the population becomes older. The median age for both sexes in 1980 is higher than it was in 1960 and 1970, and is projected to increase further.
- Falling crime rates as the relative number of young people decline.

The impact on the university system may be greater or lesser than the numbers indicate. Enrollments will depend on young people's demand for higher education and the existence of substitutes (e.g., vocational and technical schools) for a college degree. There may also be a trend of older people returning to school or beginning a college career.

SECTION II

MONTANA'S BASIC INDUSTRIES

MONTANA'S BASIC INDUSTRIES

This section examines Montana's most important basic economic sectors and their role in the State's economy.

WOOD PRODUCTS

The wood products industry is the largest contributor to manufacturing employment in Montana. Earnings in wood products have accounted for more than 38 percent of total manufacturing income between 1974 and 1979. However, 1980 earnings were 36 percent of the total, and nominal earnings fell about 10 percent from 1979. Employment was substantially below the record of 11,100 jobs in 1979. Total output (see Table 10) was down by 270 million board feet. Employment and output basically continued to decline through 1982.

The declines in earnings, output, and employment indicate the sensitivity of the wood products industry to general economic conditions. The long period of high interest rates (mortgage rates reached a record high of over 18 percent in October of 1981) dealt a devastating blow to the industry. Unfavorable financial conditions in mortgage markets and high prices for new homes depressed the housing market far below the projected 1981 housing starts of 1.4 million. Continued actions by the Federal Reserve Board to reduce interest rates, together with improved profitability in mortgage lending and stabilized housing prices, are some of the necessary elements required to improve the housing market.

The demand for housing, and thus for lumber, will continue to increase as children of the baby boom buy homes. Potential demand may be as high as 2 million homes annually. The ability of private timber land to satisfy demand for lumber is doubtful, even though these lands supplied 25.5 percent of timber harvested in 1980 as compared to 12.5 percent in 1979 (see Table 11). Expanded

Table 10: Montana Lumber Employment and Output, 1960-1982.

Year	Employment	Output* (Millions of Board Feet)
1960	7,300	1,035
1961	7,400	1,152
1962	8,000	1,259
1963	8,500	1,166
1964	8,400	1,271
1965	8,600	1,311
1966	8,900	1,375
1967	8,700	1,347
1968	8,900	1,499
1969	8,900	1,397
1970	8,200	1,281
1971	8,700	1,397
1972	9,200	1,311
1973	9,800	1,445
1974	9,500	1,165
1975	8,100	1,038
1976	9,100	1,197
1977	9,800	1,250
1978	10,700	1,256
1979	11,100	1,257
1980	9,200	983
1981	8,800	1,032
1982	7,200	895

Source: Western Wood Products Association
Montana Department of Labor and Industry

*The production figure is measured in millions of board feet of cut timber and does not include processed materials.

Table 11: 1980 Profile of Montana Sawmills.

Source of Timber	
Company Owned	25.5%
Federal	59.4%
Other	28.6%
Species Cut	
Douglas Fir & Larch	35.5%
Ponderosa Pine	9.6%
Engelmann Spruce	6.5%
Lodgepole Pine	15.6%
Idaho White Pine	1.8%
White Fir	5.7%
Western Red Cedar	1.2%
Other	24.1%
Degree of Processing	
Kiln dried	71.6%
Air dried	18.8%
Green	9.6%
Rough	3.4%
Surfaced	96.6%
Mode of Transportation	
By rail	41.1%
By truck	58.9%
Principal Markets	
California	4.6%
Other West	35.3%
Midwest	39.2%
Northeast	4.7%
South Central	5.7%
Southeast	9.4%
Export	1.1%
Distribution Channels	
Direct to user	6.8%
Director to retailer	6.1%
Wholesaler	67.7%
Company owned distribution yards	14.7%
To factory for further manufacturing	4.7%

Source: Western Wood Products Association timber production will have to come from the national forests and other public lands. To increase supply from public lands, the Forest Service will have to revise its planning and management practices to place more emphasis on intensiv forestry management.

Outlook

Despite the pessimistic information on the wood products industry through 1982, the long-run outlook is reasonable good. The industry will remain a major factor in the Montana economy, particularly in western Montana. It will also continue to be a dominant factor in the manufacturing sector, although the opportunity for long-term employment gains is slight. Because of the relative advantage in timber growning enjoyed by the Pacific Northwest and Southeast. growth in this sector will come through technological advances allowing for greater utilization and small log processing. Small producers will continue to find difficulty competing.

AGRICULTURE

Agriculture has been, and will likely continue to be, Montana's most important basic industry. For many years, farming and ranching in Montana have employed more people and provided more income than any other basic industry. But, similar to elsewhere, the trend in Montana has been toward larger and more technologically sophisticated operations. Total employment in agriculture is 25 percent less than it was in 1960. But production of cattle and grain has increased significantl over the years, as shown in Table 12.

Agricultural enterprises are relatively insensitive to general business cycles. However, output and income are extremely variable. Weather conditions and market prices greatly affect agricultural output. Wheat, and to a lesser extent, barley production are very sensitive to prices. Although cattle inventories

Table 12: Montana Agricultural Output, 1960-1982.

Year	Cattle and Calves Production (1,000 lbs.)	Cattle and Calves Number* (1,000 head)	All Wheat Production (1,000 bu.)	All Wheat Harvested (1,000 acres)	Barley Production (1,000 bu.)	Barley Harvested (1,000 acres)
1960	789,875	2,245	79,397	4,088	40,444	1,721
1961	742,180	2,155	54,048	4,262	26,370	1,465
1962	737,845	2,133	79,332	4,248	54,961	1,802
1963	828,865	2,325	92,294	4,246	44,663	1,514
1964	927,420	2,672	93,752	4,156	49,692	1,529
1965	948,420	2,758	105,350	4,551	50,050	1,300
1966	985,385	2,841	99,694	3,885	63,564	1,651
1967	973,940	2,869	119,136	4,825	37,022	1,255
1968	1,062,930	2,984	125,869	4,722	42,735	1,155
1969	1,066,560	2,984	99,754	3,920	67,914	1,617
1970	1,089,015	3,014	85,167	3,506	65,132	1,714
1971	1,122,103	3,165	112,011	4,516	58,800	1,680
1972	1,103,350	3,165	98,831	4,130	64,013	1,707
1973	1,053,550	3,197	93,714	4,235	60,000	2,000
1974	1,035,930	3,380	120,108	5,020	37,120	1,280
1975	963,050	3,340	155,925	5,130	50,700	1,300
1976	967,940	3,1 0	167,295	5,415	52,065	1,120
1977	880,635	2,980	130,920	5,060	55,480	1,520
1978	941,570	2,680	146,050	4,840	56,375	1,375
1979	882,185	2,607	116,475	5,125	40,560	1,040
1980	995,375	2,645	119,800	5,100	44,100	1,050
1981	1,098,045	2,675	172,830	5,820	56,760	1,320
1982	1,024,795	2,900	183,560	5,360	76,440	1,560

*Inventory beginning of year.

Source: Montana Department of Agriculture are increasing in response to good prices, production is still somewhat below levels attained in the early 1970s.

Farm income, while difficult to measure with any degree of precision, fluctuates more erractically than output (see Table 13). Falling prices between 1973 and 1977 caused sharp declines in earnings. Income went up in 1978 but fell precipitously again in 1979. Cash receipts, on the other hand, do not vary as much as income. They reflect the level of agricultural buying, whereas income indicates how well individual farmers and ranchers are doing.

Outlook

The most recent output projections for Montana agricultural products (Montana State University) indicate potential gains of 33 percent (from 1977) in cattle and calf production by 1990. Increases in wheat and barley are expected to be 13 and 2 percent respectively. However, these projections can be realized only if Montana retains its competitive strength relative to agriculture in other regions of the United States. In addition, agricuture may experience short-t bottlenecks in transportation with the loss of rail service due to the closure of the Milwaukee line and abandonment of unprofitable lines by Burlington Northern. Also, unit loading (26 or 52 cars) may cause temporary problems for producers in areas which lose terminal facilities.

PRIMARY METALS

The closing of the Anaconda Company's smelter in Anaconda and its refinery in Great Falls on September 29, 1980, represented one of the most significant job losses in Montana's history. The shut down, although devastating, nevertheless sho be viewed within a historical perspective. For example, we should not forget that

Table 13: Montana Agricultural Receipts and Income, 1970-1982.

Year	Cash Receipts ($ millions)	Farm Income* ($ millions)
1970	$ 689	$ 237
1971	695	198
1972	927	344
1973	1,192	546
1974	1,169	369
1975	1,018	343
1976	1,038	181
1977	971	68
1978	1,214	264
1979	1,391	93
1980	1,405	98
1970-1980 Average	1,064	249
1981	1,412	136
1982	1,633	52

*Includes proprietors income only.

Note: The decline in 1977 of farm income was for the most part the result of what is called on inventory adjustment, i.e., farmers and ranchers selling off production from previous years to cover operating losses. That is why income fell dramatically and receipts remained relatively constant.

Sources: Montana Department of Agriculture
U.S. Department of Commerce

1,200 jobs were lost at the smelter between 1950 and 1970. At Great Falls, 800 refinery jobs were lost between 1970 and 1974 and over 4,000 mining jobs were lost at Butte between 1950 and 1980. The essential difference is that the Anaconda smelter closing was immediate and represented the only industry in the area. Also, the previous declines were the result of modernization of plant facilities as opposed to elimination. The action will probably result in the migration of several thousand people from the area in the next few years.

The announcement in 1980 by Anaconda Copper President James Marvin left about 1,500 highly paid employees out of work; 1,000 at Anaconda (about 800 live in Anaconda) and 500 in Great Falls. He said the decision to close the smelter and refinery was a matter of economics; i.e., low productivity, old plant equipment, and the high cost of retrofitting the old facility to meet new air quality standards, both state and federal. Because of the industrial linkages with the Great Falls electrolytic refinery, that facility also was closed even though there were no air quality problems.

The remaining Anaconda facility is the aluminum plant located at Columbia Falls. This operation, located near the Hungry Horse Reservoir, was developed largely because of inexpensive power. Potential changes in the BPA's rate structure may pose some cost uncertainties for the plant. Because the firm's input costs are geared toward cheap and readily available electricity, a doubling or tripling of rates may result in a tight profit squeeze. In order to reduce potential impacts, the company is incorporating more energy-efficient processes.

MINING

Metal mining, like wood products, is sensitive to cyclical fluctuations in national markets. Weak markets, structural inefficiencies, and competition from abroad adversely affect the demand for metals. However, long-run prospects appear favorable, particularly for energy minerals, because of the abundance of mineral resources in Montana. Production data for Montana's most important mining and extraction activities are shown in Table 14.

Copper

Copper has been the most important non-fuel mineral produced in Montana. However, the market has been depressed since 1975. In December, 1983, the world price for copper was $0.70 per pound, down from $1.40 in February, 1981. Operations at the Butte facility were suspended in June of 1983. It is not known when or if production will resume in Butte.

Outlook

The short-run outlook is not favorable for copper mining. The years 1978 through 1982 were not good years for copper production, and 1983 will be much worse. Lack of demand for products using copper and foreign competition will continue to hurt the industry. Nevertheless, national projections indicate increasing production for the next 10-15 years. Recovery will be aided by turnarounds in both the housing and automobile industries. The new ASARCO mine at Troy employs some 300 persons. The potential exists for other new mines, particularly for the platinum group metals and chromium in the Stillwater Complex and other primary metals in southwestern Montana (gold and silver).

Oil and Gas

Oil and gas exploration activity resulted in significant gains in employment and earnings since the mid-1970s. Employment in this sector increased dramatically since 1975, peaking at about 7,000 jobs in 1981. 1983 employment was still above the 1975 level by about 2,000 jobs, however. This increase was due

Table 14: Montana Mineral Production, 1960-1982.

Year	Copper (short tons)	Coal (million tons)	Natural Gas (million cu. ft.)	Crude Oil (million barrels)
1960	91,972	NA	NA	NA
1961	104,000	NA	33,701	30,906
1962	94,021	NA	29,955	31,648
1963	79,762	NA	30,026	30,870
1964	103,806	NA	25,188	30,647
1965	115,489	NA	28,105	32,778
1966	128,061	NA	30,685	35,380
1967	65,483	NA	25,866	34,959
1968	69,480	NA	19,313	48,460
1969	103,314	NA	41,229	43,954
1970	102,412	NA	42,705	37,879
1971	88,581	7.1	32,720	34,599
1972	123,110	8.0	33,474	33,904
1973	132,446	10.4	56,175	34,620
1974	131,131	13.6	54,873	34,554
1975	87,959	22.1	40,734	32,844
1976	91,111	26.2	42,563	32,814
1977	86,203	27.4	48,663	32,680
1978	67,326	26.6	47,140	30,467
1979	68,854	32.6	54,969	30,286
1980	37,749	30.0	53,802	29,584
1981	62,485	33.3	50,073	30,813
1982	63,027	27.8	50,932	30,917

Source: United States Department of Interior, Bureau of Mines
Montana Department of Labor and Industry
Montana Department of Natural Resources and Conservation

to rising fuel prices and the resultant intensification of exploration activity and experimentation in secondary and tertiary recovery techniques.

Declining domestic reserves, curtailment of Canadian gas imports, and rapidly rising prices have resulted in increased gas exploration in Montana. Canadian export reductions have been more than offset by increased Montana production and reduced consumption -- related to very rapidly increasing prices and a decline in industrial use. Further, a recent study suggests that Montana appears to be assured of a good gas supply through the end of the century.

In the past decade, rising crude oil prices have increased the price of refined oil products. Consumer demand worldwide has fallen far short of existing refining capacity due to the shift toward more efficient autos and, lately, the economic recession. The economic consequence is that some refineries will be forced to close as profit margins fail to cover operating costs. Such factors as efficiency, location, product mix, and crude oil requirements will determine whether a particular refinery will survive.

The most significant event in the oil and gas markets in 1981 was the removal of federal price and allocation controls by President Reagan. Decontrol and the high success ratio of new wells will encourage further exploration efforts. Exploration will no doubt continue in the Sidney and Glendive areas, the Williston Basin, the Sweet Grass Hills, and the rest of the Overthrust Belt region.

Outlook

Employment and earnings in oil and gas should continue to be at relatively high levels, as exploration of Montana's resource base continues. Major alternative energy sources are more likely to be developed as a result of decontrol of oil and gas. Refinery production will probably be level or decline slightly until new sources of crude oil are secured and adjustments in product mix are attained.

Coal

The importance of coal as a national energy source increased dramatically as a result of the Arab oil embargo of 1973 and President Carter's decision in 1977 to expand coal production to replace foreign oil consumption. Recently, the Reagan administration has further emphasized the leasing of western coal as a means to provide future U.S. energy needs. In addition, U.S. coal is looking more attractive to other oil importing countries. The turmoil in Iran, the continuing rise of oil prices, the withdrawal of Poland from the European market, and the desire of Pacific Rim countries to broaden their sources of imported coal have contributed to the increase in international demand for American coal.

The impact of these initiatives on Montana is not clear. Because of a lower BTU content than eastern coal and high transportation costs, the levels of future growth in coal mining will largely depend on demand for electricity in the midwest and south central markets. Future demand levels in these markets will depend on population growth, conservation, and the switching to coal from oil and gas for industrial energy needs. Further revisions in U.S. Environm Protection Agency emission standards could also affect the relative economic value of western vs. eastern coal.

The export of coal of the Pacific Rim could increase Montana coal productio by 10 million tons per year. Increased exports, though, are contingent upon development of port capacity in Oregon or Washington. Developers are becoming more interested in the potential for coal handling port facilities, but are hesitant to commit without secure coal supplies and long-term purchase commitment

Outlook

Colstrip 3 and 4, scheduled to go on line in January of 1984 and mid-1985 respectively, will increase the amount of coal mined in Montana. Projections of coal production by 1990 range from a low of 40 million tons to a high of 100 million tons, adding 1,000-2,500 new jobs in the coal producing areas. Actual production will depend on the many factors mentioned above.

TRAVEL AND TOURISM

The travel industry comprises a variety of economic sectors including transportation, such retail trade firms as service stations and eating and drinking establishments, hotels and motels, auto repair, and recreation. The travel industry is larger than the tourism industry since it includes all forms of travel. Tourism, more narrowly defined, is primarily for pleasure (i.e., recreation and visiting relatives and friends) and is estimated to account for approximately 40 percent of the total travel industry. Tourism, resident and non-resident, provided over 8,000 full and part-time jobs in 1979.

The non-resident component of the travel sector, which includes both business and pleasure travel by out-of-state residents, is an important basic industry for the State. For point of comparison, the non-resident travel sector employs as many workers as the wood products industry and more workers than the entire mining industry. Income impacts, however, are less since wage rates in the travel sector are relatively low, about half those of mining and manufacturing.

Most travel expenditures are estimated to take place in a relative handful of counties. For example, nearly 80 percent of total travel employment is found in 10 Montana counties (see Table 15). Yellowstone County tops the list in terms of total employment, but the effect of travel on that county

Table 15: Top 20 Montana Travel Counties - 1979

County	Travel Employment	Percent of of Total Employment	Travel Income $ Million	Cumulati Percent of Travel &
1. Yellowstone	3026	5.3%	$25.6	14.9%
2. Gallatin	2582	13.7%	21.9	27.6%
3. Flathead	2070	9.2%	17.5	37.7%
4. Cascade	1704	4.0%	14.4	46.1%
5. Missoula	1620	4.5%	13.7	54.1%
6. Lewis & Clark	1360	5.9%	11.5	60.8%
7. Silver Bow	1309	7.7%	11.1	67.2%
8. Glacier	1066	18.2%	9.0	72.4%
9. Park	638	10.7%	5.4	75.5%
10. Dawson	542	8.7%	4.6	78.2%
11. Hill	344	3.8%	2.9	79.9%
12. Richland	323	5.5%	2.7	81.5%
13. Custer	312	4.6%	2.6	83.0%
14. Beaverhead	303	8.4%	2.6	84.5%
15. Fergus	303	5.1%	2.6	86.0%
16. Roosevelt	264	5.0%	2.2	87.3%
17. Lincoln	261	3.9%	2.2	88.6%
18. Madison	243	10.2%	2.1	89.8%
19. Phillips	225	9.4%	1.9	90.9%
20. Valley	195	3.7%	1.7	91.9%
All Other	1638	n/a	13.9	100.0%

Source: Western Analysis, Inc., Helena, Montana is less important (judged by the percent of total employment accounted for by travel, i.e., 5 percent) than in many other areas. Travel employment is large in the Billings area as a result of the high number of business trips and its proximity to tourist destination centers. Even though Gallatin, Flathead, and Glacier counties have fewer travel related employees, the travel impact is far greater, judged again by the percent of total employment. For example, 18 percent of total employment in Glacier County is as a direct result of travel and tourism.

Outlook

As national income, crowding, and leisure time increase, it is reasonable to assume the travel industry will experience some growth, particularly in light of the natural attractions found in Montana. Also international tourism will continue to grow in Montana, but at present, this influence is very small.

FEDERAL GOVERNMENT

The federal government is an important and sometimes overlooked, basic industry in Montana. Its influence is two-fold. First, the federal government provides direct employment and earnings, both for military and civilian personnel. And second, the federal government provides grant and loan programs to various sectors of the economy ranging from agriculture to state and local government. These grant/loan programs, in turn, help create employment in the receiving sectors and in those industries supplying the receiving sectors.

From 1960 to 1979, federal government employment in Montana grew at approximately twice the national rate. In 1979, there were about 14,000 civilian federal employees in Montana and around 5,000 active duty military personnel, for a total of 19,000 employees. Federal employment in Montana declined to about 16,000 in 1983, due largely to major military decreases at Malmstrom

Air Force Base near Great Falls and civilian employment decreases throughout the State.

Outlook

Additional military employment at and around Malstrom Air Force base is very possible. Training sites at Havre and Conrad have already been announced Growing concern over deficit spending, however, and current Reagan administration attitudes towards federal civilian programs will likely lead to little or no growth in civilian employment in the next few years.

RAILROADS

The railroads brough people and economic activity to the State and provided outlets for mineral and farm products. New towns were established at railheads and/or service points-- Glasgow, Havre, and Kalispell on the Great Northern; Glendive, Laurel, and Livingston on the Northern Pacific; Harlowton and Deer Lodge on the Milwaukee; and Dillon on the Union Pacific. Rail employment still is important to several of these cities -- particularly Havre, Livingston, and Laurel.

There were 20,000 railroad employees in Montana in 1909, following the construction of the Milwaukee Road, compared to the present level of about 4,000. The depression resulted in a loss of nearly 10,000 rail workers, but World War II created an unusual demand for rail employment, increasing the total level to nearly the number employed prior to the depression. However, after the war, rail employment dropped sharply. Passenger travel declined, trucks and planes captured a larger share of the freight business, and companies rapidly shifted from steam to diesel engines. Switchyards were automated and several mergers took place. Employment continued to fall as productivity per employee increased.

Deregulation of the rail industry, just like truck and airline deregulation, poses some problems for small states like Montana. Although few would argue that a free market is a "bad" idea (everything else being equal), there are few carriers that can afford to provide the kind of service available in more urbanized areas. There are fewer alternatives open to Montana than to the more populated areas and greater distances to travel and transport goods.

Outlook

After increasing during the 1970s, railroad employment has declined since 1979 as a result of the national recession and the abandonment of the Milwaukee Road. Total employment in this industry will likely increase as the national economy recovers.

SECTION III

REGIONAL ECONOMIC TRENDS AND CONDITIONS

CENSUS AND ECONOMIC
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MONTANA DEPT. OF COMMERCE
HELENA, MT 59620-0401
(406) 444-2896

REGIONAL ECONOMIC TRENDS AND CONDITIONS

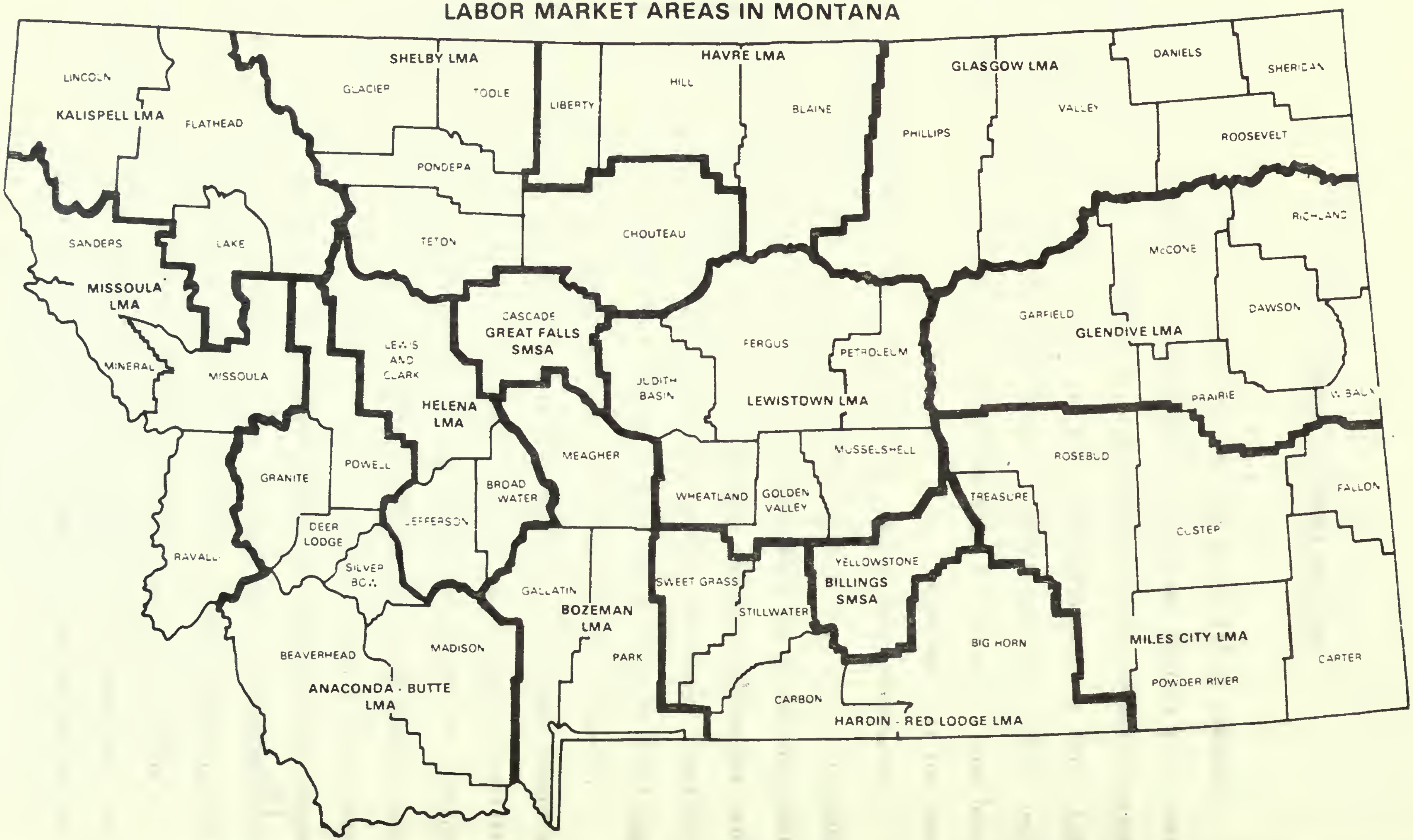
Economic conditions in Montana vary between different areas of the state. The eastern two-thirds of Montana is on the Great Plains, and is characterized by dryland grain farming, irrigated strips, grazing rangeland, large ranching operations, and by oil and natural gas wells and coal mines. The state's two largest urban areas, Billings and Great Falls, are found here. In addition, more medium-sized trade centers and numerous small towns dot the landscape.

The western third of the state lies within the northern Rocky Mountains. This is an area of spectacular scenery and outdoor recreation, timber harvesting and wood processing, mining and mineral processing, irrigated farms and mountain ranches, and populated pockets and virtually uninhabited wildlands. Because of continued in-migration and generally greater job opportunities, most of the state's larger urban areas are found here.

In order to disaggregate the state's economy, it is necessary to delineate the regions with some degree of homogeneity. Although this is difficult to do with any degree of precision in a large rural state like Montana, the Montana Department of Labor and Industry has divided the state into 14 Labor Market Areas (LMA's) which roughly approximate local trade areas, with several notable exceptions (see Map 1). In the eastern and western parts of the state, trade will leak to neighboring states. Also, Yellowstone and Cascade Counties (Billings and Great Falls) draw significantly from surrounding counties, but are treated as separate LMA's.

Table 6 shows comparative data for the LMA's for the period 1970 to 1981. Employment and population growth has been greater in western Montana than the eastern part of the state with one notable exception. The

MAP 1
LABOR MARKET AREAS IN MONTANA



Anaconda-Butte area suffered an employment and population decline as a result of reduced mining and the loss of mineral processing facilities. Table 7 shows population trends for the major cities of each labor market area for the period 1960 to 1980. Employment composition in the LMA's is shown in Table 8.

REGIONAL CONDITIONS

Yellowstone

The Billings economy is the growth leader in Montana; it has the greatest population of any urban area in the state and since 1970, has enjoyed the greatest employment growth (57 percent) of the five major urban areas. Its unemployment rate has been three-fourths of the state average and, in 1981, the per capita income in Yellowstone County was about 16 percent greater than the state average.

Billings is growing in importance as a regional trade center for the northern Great Plains area, stretching from western North Dakota to northern Idaho and the Canadian border to northern Wyoming. There is some evidence that a recent growth in wholesale trade may be due to a decentralization of this industry away from large regional trade centers toward smaller trade centers. Supporting its importance as a trade center is the fact that about 18 percent of Billings' total employment is in retail trade, compared with 15 percent for the state as a whole.

Billings is also becoming an important location for the regional offices of mining and energy related companies, and those manufacturing and service industries which support the oil, gas, and coal mining development taking place in the northern Great Plains.

Finally, Billings has the most diversified economy of any LMA in the state. The rate and magnitude of its growth, coupled with its size, simply

Table 6: Montana Labor Market Area Economic and Demographic Conditions, 1970 and 1981.

	Population		Employment		1981	1981	1981
Labor Market Area	1981*	1970-81	1981	1970-81	Employ. Pop. Ratio	Unemployment Rate	Per Capita Income
Yellowstone	109,400	25	58,058	57	.53	5.4	10,948
Cascade	78,800	-2	39,017	11	.49	8.0	9,778
Missoula	112,300	36	47,479	44	.43	9.9	8,457
Kalispell	88,800	23	35,729	34	.40	10.6	8,257
Anaconda/Butte	72,400	-10	30,277	-1	.42	8.7	9,130
Bozeman	59,400	29	28,036	52	.47	6.1	8,362
Helena	54,400	33	27,030	40	.50	6.0	10,033
Shelby	35,600	-1	18,387	26	.52	5.9	11,065
Glasgow	34,200	-5	17,714	19	.52	4.6	9,708
Miles City	32,700	16	17,264	43	.53	4.9	9,685
Glendive	33,500	16	19,056	49	.57	2.8	10,096
Hardin/Red Lodge	28,600	16	12,005	25	.42	6.3	8,283
Havre	27,400	4	13,167	22	.48	6.7	9,533
Lewistown	24,100	4	11,023	15	.46	4.3	10,834
STATE	793,000	14	374,242	32	.47	6.9	9,412

Source: U.S. Department of Commerce
Montana Department of Labor and Industry

*Preliminary estimates

Table 7: Selected Cities, Population, 1960-1980.

	1960	1970	1960-70 % Change	1980	1970-80 % Change
Billings	52,851	61,581	16.5	66,581	8.5
Great Falls	55,244	60,091	8.8	56,725	-5.6
Missoula	27,090	29,497	8.9	33,388	13.2
Kalispell	10,151	10,526	3.7	10,648	1.2
Butte	27,877	23,368	-16.2	37,205*	--
Anaconda	12,054	9,771	-18.9	12,518*	--
Bozeman	13,361	18,670	39.7	21,645	15.9
Helena	20,227	22,730	12.4	23,938	5.3
Shelby	4,017	3,111	-22.6	3,142	1.0
Glasgow	6,398	4,700	-26.5	4,455	-5.2
Miles City	9,665	9,023	-6.6	9,602	6.4
Glendive	7,058	6,305	-10.7	5,978	-5.2
Hardin	2,789	2,733	-2.0	3,300	20.7
Havre	10,740	10,558	-1.7	10,891	3.1
Lewistown	7,408	6,437	-13.1	7,104	10.4

*Consolidated city-county government area

Source: United States Bureau of Census

Table 8: Percent of Employment by Labor Market Area, 1979

	Anaconda/ Butte	Billings	Bozeman	Cascade	Glasgow	Glendive	Hardin/ Red Lodge
Agriculture	6.9	3.1	8.0	3.0	25.2	21.6	23.6
Mining	7.3	0.8	0.3	0.0	2.0	6.0	8.1
Construction	2.5	4.9	4.5	5.1	2.1	4.9	3.3
Manufacturing	7.1	8.4	7.7	4.4	2.7	3.1	1.5
Transportation/ Communications	5.1	7.8	6.8	4.9	4.8	9.5	2.9
Trade and Services*	47.6	60.2	52.5	54.7	44.7	40.4	40.4
Government	23.5	14.7	20.2	27.9	18.5	14.5	20.2
	100.0	100.0	100.0	100.0	100.0	100.0	100.0

	Havre	Helena	Kalispell	Lewistown	Miles City	Missoula	Shelby
Agriculture	18.0	4.0	7.4	25.1	18.5	4.1	23.4
Mining	0.7	0.2	0.7	2.6	4.8	0.2	6.3
Construction	3.4	3.5	5.3	4.3	4.8	5.3	2.8
Manufacturing	2.4	5.7	17.5	3.5	1.6	13.6	1.8
Transportation/ Communications	9.0	7.1	5.6	4.5	6.7	6.4	4.4
Trade and Services*	47.1	50.2	46.6	42.3	43.9	52.0	42.6
Government	19.5	29.3	16.9	17.6	19.6	18.4	18.3
	100.0	100.0	100.0	100.0	100.0	100.0	100.0

*Includes non-farm proprietors.

Source: U.S. Department of Commerce

means that a more diverse array of derivative economic sectors can be supported. Primary economic activity in the area is driven by various industries, including oil refining, food processing, the federal government, agriculture, export components of wholesale and retail trade, and education.

Unlike what occurred during the 1974-1975 recession, Billings was affected by the recent downturn. Excess capacity in coal production, railroad layoffs, idle modular home production and retail closures impacted the Billings economy.

Cascade

Cascade County, the site of the city of Great Falls, was one of only four LMA's in the state which had a net decrease in population during the 1970s. Although employment grew 16 percent over this time period, this was the third slowest rate of growth of the LMA's, and only one-half that of the statewide average. In 1980 and 1981, the Cascade County unemployment rate was about 15 percent greater than the state average, although in 1981 the per capita income was about 4 percent above the figure for the state as a whole. This may be due to the salaries associated with Malmstrom Air Force Base, which directly and indirectly constributes to about one-half of the economic base in Cascade County.

The relatively slow economic growth in Great Falls can be traced primarily to several major cutbacks since 1970 in federal military and civilian employment and primary metals refining. Cutbacks at the air base in 1976 and 1979 have resulted in the loss of about 1,800 permanent civilian and military jobs. Anaconda's zinc smelter closed in 1973 with a loss of about 1,000 jobs. Also, about 200 workers lost their jobs when some railroad positions were transferred and a meat packing plant was closed in the mid-1970s. These cutbacks alone resulted in the loss of roughly one-fourth of the economic base in the county. More recently 500 employees lost their jobs when Anaconda closed the copper refinery plant.

Despite these losses to the Great Falls economy there are positive signs of growth. The export component of retail and wholesale trade will likely grow in service to north central Montana. Its role as a regional trade center will be enhanced with the proposed development of a convention center. Growth may also come from continued oil and gas exploration, and a 350 megawatt coal-fired power plant scheduled for construction in the 1990s.

Missoula

The Missoula LMA includes four counties west of the Continental Divide and bordering Idaho. Its economy is dominated by Missoula County which has almost three-fourths of the LMA's employment and serves as a regional trade center for the four county area. The Missoula LMA had the highest population growth rate since 1970 in the state. Unemployment is generally higher in the area and per capita income lower, partly the result of the student population.

About one-half of the economic base in the LMA is due to the local forest resources. About 33 percent of the state's timber harvest comes from this LMA, which produces over one-third of the state's lumber. Missoula has the state's only pulp and paper plant which provides about 670 jobs. It also has two plywood manufacturing facilities, and a particleboard plant which opened during the last decade. In addition, the U.S. Forest Service, BLM, and Montana Division of Forestry employ about 1,100 people in Missoula. Mineral and Sanders Counties are heavily dependent on wood products and several small communities are largely one-industry towns. Some smaller mills have closed since 1970, notably in Plains and Hamilton.

Employment in Missoula's wood products sector increased in 1983 because a recovery occurred in the national housing market. Even though there were temporary layoffs in the past few years the pulp and paper mill provides some stability to the economy because it is not as sensitive to national economic downturns as is the rest of the wood products industry.

Another major factor in the area's economic base in the University of Montana, which contributes approximately 15 percent of all economic activity. Its relative importance may be less in the future as the community grows and student enrollment declines.

Kalispell

The Kalispell LMA includes three northwestern Montana counties bordered by Glacier National Park on the east, Flathead Lake on the south, Idaho on the west, and Canada to the north. Flathead County contains about 60 percent of the LMA's employment and population, and was largely responsible for the 34 percent increase in employment since 1970. On the other hand, significant in-migration and the seasonality of employment has caused the area to have the highest unemployment rate in the state.

The economic base is heavily reliant on the wood products industry. Over one-half of Montana's timber harvest comes from the three counties. About 37 percent of all economic activity is related to wood products processing. Many small communities are dependent on the area's forest resources for their livelihood.

The other major employer in the area is the Anaconda Aluminum smelter in Columbia Falls which employs about 1,000 people. Production cut-backs and layoffs recently occurred as a result of the national recession and increasing energy costs. One bright spot in the area's economy was the opening of the ASARCO copper mine at Troy in 1981. It currently employs slightly over 300 workers.

Travel and tourism also play a major role in the local economy. Flathead Lake, Glacier National Park, and the Big Mountain ski area are major draws. In addition, many second homes are being built in the area. As a result, the trade and tourism industry contributes about 10 percent of the employment in Flathead County.

Anaconda/Butte

The Anaconda/Butte LMA encompasses six southwestern Montana counties, and is dominated by the cities of Butte and Anaconda, which contribute about two-thirds of the area's economic activity. The other counties are largely rural and dependent on ranching and livestock-related agricultural production, along with some small logging and wood processing activities.

This LMA has had a negative rate of employment growth, and a 10 percent loss in population since 1970. The unemployment rate of the area has been consistently above the state average, wholly due to the high rate of joblessnes in Butte and Anaconda. Until recently, per capita income levels were close to the state average. These income levels are dependent upon employment in the mining and mineral processing sectors and the price of agricultural products in the more rural areas.

The loss of roughly 5,000 copper mining and mineral processing jobs since 1970 in Anaconda and Butte is the major factor behind the region's declining economy. The closing of the Anaconda Company's smelter in 1980 and the loss of 1,000 jobs severely affected the economy of the city of Anaconda. Without new development, high unemployment and out-migration will continue to plague the area.

Since 1970, the Montana Energy Research and Development Institute and the MHD Component Development and Integration Facility have brought nearly 400 high paying professional positions to the Butte area. These have helped to lessen the blow of the loss of mining in Butte. However, the continued existence of these research facilities is largely dependent on federal funding.

The Montana College of Mineral Sciences and Technology is situated in Butte and is one of six branches of the state university system. It has over 2,000 students and is one of the few full-time mining engineering universities in the country. It has enjoyed increased enrollment over the past few years. Unlike Montana Tech, Western Montana College in Beaverhead County is the smallest of the units of the university system.

State government institutions play an important economic role in Powell and Deer Lodge Counties, contributing 30 and 25 percent respectively, of the economic activity in those areas. Since 1970, the state prison and two mental institutions have added about 100-200 jobs in this LMA. However, the closure of the Milwaukee Railroad repair shop in Powell County and a lumber mill in Granite County has meant a direct loss of 200-300 jobs since 1975.

Major efforts will be required in the Butte/Anaconda area to revitalize the declining economy. The immediate outlook, unfortunately, is for continued economic dislocation.

Bozeman

The Bozeman LMA is north of Yellowstone National Park in southcentral Montana and includes three counties, dominated by the city of Bozeman and Gallatin county, the latter containing over three-fourths of the economic activity in the area. The Bozeman LMA, since 1970, has had twice the rate of population growth (29 percent) as has the State as a whole, and a 60% higher rate of employment growth. Per capita income has been consistently below the state average; again possibly related to the student population.

Gallatin County is the home of Montana State University, which enrolls over 11,000 students. It is the largest of six units in the Montana University System. The university contributes about 30 percent, directly and indirectly to the economic activity of the area.

Several other basic industries contribute to the area's economy: timber and wood processing, travel and touring, agriculture, and several small manufacturing firms. The three counties have 22 small wood processing plants, most of which are important contributors to the rural communities. Summit/Dana Industrial (electronic equipment), Ideal Cement, and Gallatin Homes Corporation have also been important contributors to the growth of Gallatin County since 1970.

Tourism provides between 10 and 15 percent of all the jobs in Gallatin and Park Counties. Yellowstone Park, the Big Sky ski resort, and the Bridger Powel ski area are all located in or adjacent to the Bozeman area.

Agriculture production in this area is one of the most diversified in the State. Ranching and irrigated and non-irrgated feed grain production are important to the area. A proposed regional agricultural marketing center at Belgrade will enhance this importance, if developed.

Helena

The Helena LMA comprises three counties in the west central part of the state, and is dominated by the city of Helena, in Lewis and Clark County. Helena is the state capital, and the growth since 1970 in state and federal government and associated employment has been the major impetus behind the 40 percent growth in employment in the LMA over the same period of time. The 33 percent growth in population in the LMA was the second highest of any LMA in the state.

The economic growth of the last decade in Lewis and Clark County may not continue into the early 1980's as a result of cutbacks in state government. Federal budget reductions will mean the loss of 400 to 500 state jobs statewide through reduction-in-force layoffs and attrition. A major share of these losses will be in Helena. State government accounts for 40 percent, directly and indirectly, of all economic activity and for two-thirds of non-farm income in the county.

There have also been employment cutbacks at the Boulder River School in Jefferson County. The institution until recently provided directly and indirectly for 40 percent of the economic activity in the county.

Interestingly, federal employment in Helena has to date been little affected by the budget cuts. The situation is not clear, but federal employment in 1983 may not be much different than employment in 1979, which accounted for 1,250 jobs. Mountain Bell's state headquarters and the ASARCO lead and zinc smelter in East Helena provide about 1,100 jobs.

Agriculture still plays a major role in Broadwater County, where about 25 percent of the total personal income is farm-related. The operations there and in the rest of the LMA are mostly livestock-related.

Shelby and Havre

The Shelby and Havre LMA's comprise eight rural counties in north central Montana, bordered on the west by Glacier National Park. The rate of employment increase there was three-fourths of the state average, while population grew only slightly between 1970 and 1981. Per capital income in this area in 1981 was about 10 percent greater than the state average, due to the fairly stable population and relatively prosperous agricultural base.

Agriculture is the major economic sector, contributing directly 15-20 percent of the area's income. It is the lifeblood of many of the small com- munities which dot the landscape. Agriculture operations are mainly dryland farming. Wheat is the principal crop, although increasing amounts of barley are produced. Five of the ten top producing wheat counties, and five of the six top barley producing counties are located in these LMA's. Based upon statewide figures, about three-fourths of the area's wheat moves to the west coast, and eventually to Asian markets. About three-fourths of the state's barley output is sold to in-state feedlots.

The location of Glacier county, at the eastern entrance to Glacier National Park, is the reason why 18 percent of its total employment is travel-related. It has the highest such rate in the state, largely because there is very little other nonagricultural economic activity.

About 20 and 50 percent respectively of the state's oil and natural gas is produced in these LMA's. Until 1978 there were two oil refineries in the Shelby LMA, today only one remains open at Cut Bank. It is likely that this region's share of oil and gas production will be maintained because of the increase in oil and gas exploration in the area and the likelihood that additional economically recoverable reserves will be located along the eastern ridge of the front range and around the Tiger Ridge field.

Much of the local retail and wholesale trade not flowing out of the area to Great Falls, which is right outside the southern border of the Shelby LMA, goes to Havre, which is the largest town in the area. In addition, Havre has a concentration of rail related employment -- it is a principal stop for Amtrak and the Burlington Northern. Finally, Havre is the home of Northern Montana College, which employs roughly 250 people.

Glasgow

The Glasgow LMA consists of five counties in the State's northeastern corner. This LMA has experienced a 5 percent decrease in population over the last decade due to out-migration of young people and a relative lack of job opportunities. Its rate of employment growth is approximately 60 percent of the statewide average. The LMA's 1981 unemployment rate was, at 4.6 percent, 33 percent below the State average, consistent with other predominantly agricultural counties.

The LMA's economic base is almost totally agricultural. Two of the counties rank first and second in durum wheat production and four of the counties are in the top four in spring wheat production. In addition, three of the counties rank in the top four in oat production. Livestock operations play a lesser role, although they are prominent in the two western counties. Valley County experienced the greatest absolute population decrease in the LMA, and the slowest rate of employment growth. Contributing factors were the loss of 270 federal civilian and military positions and roughly 600 manufacturing jobs. Roosevelt County has had the largest employment gain, with an increase of about 200 jobs in oil and gas exploration and approximately 200 in manfuacturing.

Glendive and Miles City

The Glendive and Miles City LMA's are located in southeastern Montana and comprise twelve highly rural and agriculturally-based counties. Employment has grown about 45 percent since 1970, about the statewide average, while population has grown about 16 percent. The unemployment rate is similar to that found in the other agricultural areas, about one-half the rate for the State as a whole. Almost one-fourth of Montana's total of cattle and calves is found in these two LMA's. With the exception of the fertile valleys along the Yellowstone River and other major tributaries, the land is principally used for livestock production. Also, about one-half of the state's sheep and lamb population is found here.

The area's importance in terms of coal, oil and gas exploration/productio is indicated by the fact that Richland County, the home of Sidney, and Rosebud County, the home of Colstrip and Forsyth, are the LMA's leaders in terms of employment growth. Since 1970 there has been an increase of about 400 and 1,000-2,000 jobs in coal mining and oil and gas exploration respectively. These figures indicate only the direct impacts of these growth sectors and do not include the more indirect benefits in the construction, utilties trade, and transportation areas. Miles City in Custer County, Forsyth in Rosebud County, and Sidney in Richland County have benefitted by being the principal trade centers in this energy development area. Propose new mines and coal conversion facilities (including Colstrip Units 3 and 4 presently under construction), and the current rate of natural gas and oil exploration in the Williston Basin arae, indicate that the 1980s probably will see continued energy development.

It should be pointed out that the area's growth has not been evenly distributed. Garfield, and Carter counties experienced both absolute employmen and population declines since 1970. McCone, Treasure, and Powder River counties experienced population decreases even though employment increased modestly.

Hardin/Red Lodge

The Hardin/Red Lodge LMA consists of four rural counties to the south and west of Yellowstone County. Although the rate of growth here was similar to that of the State as a whole, one county, Big Horn, accounted for two-third of the area's employment growth. This was due principally to the growth of coal mining. The area's unemployment rate is about 10 percent below the State average and, in 1981 this LMA had the second lowest per capita income in the State.

Since 1970, Big Horn County experienced an increase of about 800 jobs in coal mining. Coal mining accounts for a substantial portion of the county's economic activity. The LMA otherwise is highly agricultural, with mostly livestock and feed grain opeations. Two of the top five sheep producing counties in the state are in the LMA, as well as one of the top four cattle and calf producing counties. Alfalfa hay is a major feed crop produced in this area.

Lewistown

The Lewistown LMA comprises six agricultural counties in the central part of the State. Its rates of employment and population growth since 1970 have been below one-half of the respective rates for the state as a whole. Since 1970, employment levels actually declined in two of the counties, Petroleum and Wheatland. The LMA consistently has an unemployment rate below the state average; a common occurrence for a rural area.

The area is dominated by Fergus County, which contains over one-half the total LMA employment and which contributed 60 percent of the net employment gain. This fact is due to the highly stable economies of the other five agricultural counties and the fact that Lewistown, the county seat of Fergus County, is the area's largest town and trade center. Between 1970 and 1981 this county had an increase of roughly 450 jobs in the trade and service sectors. A major economic disruption has recently occurred in Harlowton in Wheatland County, where the closure of the Milwaukee Railroad means the loss of roughly 160 high paying jobs.

Agriculture in the area is mixed, consisting of both food and feed grain production, and cattle and calf operations. Agriculture is the lifeblood of the entire LMA, contributing directly about 35 percent of the area's personal income. Were it not for agriculture, most of the area's small communities would cease to exist.

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AUTHOR
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CENSUS AND ECONOMIC
INFORMATION CENTER
MONTANA DEPT. OF COMMERCE
HELENA, MT 59620-0401
(406) 444-2896